

BENTON-FRANKLIN REGIONAL COUNCIL
Benton County, Washington
January 1, 1992 Through December 31, 1992

Schedule Of Findings

1. The Council Should Meet The Cash Balance Requirements In The Revolving Loan Fund

The council's Revolving Loan Fund (RLF) balance is more than the 25 percent of capitalization allowed in the Revolving Loan Fund grant agreement. The council reports their capitalization percentage semiannually to the Economic Development Administration. On the reports of September 1992, March 1993, and September 1993 the percentage of capitalization was 49.3 percent, 25.8 percent, and 27.8 percent, respectively.

The grant agreement with the U.S. Department of Commerce, Economic Development Administration states that the council shall loan the RLF capitalization at a rate sufficient to avoid retaining a balance greater than 25 percent for more than six months.

The excess balance was caused by the council not drawing the remaining \$300,000 RLF moneys until mid 1992. This money had to be held until new loans could be processed. Processing time is usually four to six months. The council also has cash forecasting difficulties. They have had two borrowers pay off their loans in lump sums. These payoffs could not have been foreseen and were significant to the allowed balance.

Failure to comply with these requirements could result in the council having to return all or part of the excess funds.

We recommend the council take steps to reduce the RLF balance to meet the 25 percent criteria.

2. The Council Should Meet And Maintain The Local Match As Required For The Revolving Loan Fund

The Local match is not being met or maintained as required in the Revolving Loan Fund (RLF) agreement. The local match is contributions from the cities of Kennewick, Pasco, and Richland. The council is allowing the cities to retain their share of the local match until a loan is made, and returning the match plus interest when the loan is repaid. This is contrary to grant guidelines.

The U.S. Department of Commerce, Economic Development Administration's *Revolving Loan Fund Administrative Manual* states that the nonfederal matching share plus interest must be available when needed and must be under the control of the grant recipient for the duration of the RLF.

The council allowed the cities to maintain their portion of the local match because their contributions were Community Development Block Grant funds and they needed to verify that the CDBG requirements were being met.

Not meeting the requirements could result in the loss of RLF moneys.

We recommend the council take the steps necessary to control all RLF moneys to verify that funds are maintained as required.